

STATE OF NEW MEXICO - TAXATION AND REVENUE DEPARTMENT

Cigarette Stamp Inventory Tax Return

WHO MUST FILE THIS FORM: At the close of business on June 30, 2010, distributors who are licensed to affix cigarette stamps to packages or containers of cigarettes according to the Cigarette Tax Act are required to take inventory of the cigarette stamps on hand. If the distributor is conducting business at 12am (midnight) on June 30, 2010, then close of business means 12am on June 30, 2010. Effective July 1, 2010, New Mexico's cigarette tax increases by \$0.9375 per pack if packaged in lots of 25 cigarettes, and \$0.75 per pack if packaged in lots of 20, 10 or 5 cigarettes. Each distributor is required to take an inventory of tax stamps and tax-exempt stamps, report the total number of cigarette stamps in inventory and pay the difference between the old and the new cigarette tax rate. A completed Form RPD-41278, *Cigarette Stamp Inventory Tax Return*, and payment are due to the New Mexico Taxation and Revenue Department on or before August 25, 2010.

Quantity of stamps on hand includes all New Mexico cigarette stamps affixed or unaffixed to packages of cigarettes regardless of where they are located. You must include the total number of cigarette stamps to which you retain legal ownership at the close of business on June 30, 2010, whether in transit, stored at another location, or in your possession.

FILING INSTRUCTIONS: Complete Form RPD-41278, *Cigarette Stamp Inventory Tax Return* and calculate your tax due. Make the check or money order payable to the New Mexico Taxation and Revenue Department. Mail the form and payment to New Mexico Taxation and Revenue Department, Cigarette Tax Unit, P.O. Box 25123, Santa Fe, NM 87504-5123. For assistance contact (505) 827-6842.

Name and address of purchaser		Federal employer identification number or social security number
		New Mexico CRS identification number
Name of person to contact		Telephone number and e-mail address

Stamp denomination	Quantity of stamps on hand	Calculate the tax due	Cigarette stamp inventory tax due
20 Stick Stamps One stamp provides proof that tax has been paid for a package or container of 5, 10, or 20 cigarettes. A full roll contains 30,000 stamps. A full sheet contains 1,500 stamps.		Multiply the quantity of stamps on hand by \$0.75. x \$0.75	
25 Stick Stamps One stamp provides proof that tax has been paid for a package or container of 25 cigarettes. A full sheet contains 1,500 stamps.		Multiply the quantity of stamps on hand by \$0.9375. x \$0.9375	
Tax-exempt Stamps Tax-exempt stamps continue to be provided free of charge to qualified distributors. No tax is due, however an inventory count is required. A full roll contains 15,000 stamps.		No tax is due, however you must provide an inventory count of tax-exempt stamps.	

Tax due. Enter total tax due for 20 and 25 Stick Stamps.

Interest. Interest accrues daily on the unpaid amount of tax due, and can change on a quarterly basis. The effective annual and daily interest rates are posted on the Department's web page at www.tax.state.nm.us or can be obtained by contacting the Department.

Penalty. Add penalty if the entity fails to file timely or to pay the amount of cigarette stamp inventory tax due by August 25, 2010. Calculate the penalty by multiplying the unpaid tax due by 2%, then by the number of months or partial months for which the return or payment is late, not to exceed 20% of the tax due. The penalty may not be less than \$5.00.

Total due. Enter total tax, interest and penalty.

Total cigarette stamp inventory tax

Interest

Penalty

Total due

I declare that I have examined this return, and to the best of my knowledge and belief it is true, correct and complete.

Signature of taxpayer or authorized agent

Date

Cigarette Tax Increases July 1, 2010

Inventory Required on June 30, 2010

Effective July 1, 2010, New Mexico's tax on a pack of cigarettes is increasing by \$0.75 cents if packaged in lots of 20, 10 or 5 cigarettes, and by \$0.9375 cents if packaged in lots of 25 cigarettes. The new tax rate is \$1.66 for a package or container of 5, 10 or 20 cigarettes, and \$2.075 for a package or container of 25 cigarettes. This change comes as a result of House Bill 3, which was passed in the Special Session of the 2010 Legislature and signed into law by Governor Bill Richardson.

At the close of business on June 30, 2010, distributors licensed to affix stamps to cigarettes must take an inventory of cigarette stamps on hand – whether or not the stamps are affixed to cigarette packages - and submit the count with payment of the difference between the old and the new tax on or before August 25, 2010. Cigarette stamps on hand include all New Mexico cigarette stamps affixed or unaffixed to packages of cigarettes regardless of where they are located. You must include the total number of cigarette stamps to which you retain legal ownership at the close of business on June 30, 2010, whether in transit, stored at another location, or in your possession.

The Department will audit inventory tax payments. It is incumbent upon the taxpayer to keep detailed records of purchases, sales and ownership of stamps.

The required inventory report form is RPD-41278, "Cigarette Stamp Inventory Tax Return." It is available on the Taxation and Revenue Department's web site at www.tax.state.nm.us. Click on "Forms" and then on "Tobacco Products Tax Forms".

The inventory and tax payment requirement falls on distributors who are licensed according to the Cigarette Tax Act to sell or distribute cigarettes in New Mexico. Persons who purchase stamps on account and must therefore furnish cigarette surety bonds should expect the bond amount to increase in proportion to the tax increase. The amount of the bond is 1.5 times the average monthly stamp order.

Pre-ordering the New Tax-credit Stamp

To give distributors time to prepare for July 1, 2010, a revised Form RPD-41158, *Purchase Order for New Mexico Cigarette Stamps*, is released and the new tax-credit stamps can be ordered for shipment or pick-up beginning June 21, 2010. You may pre-order the new tax-credit stamps, however you may not sell or distribute packages of cigarettes with the new tax-credit stamp affixed until July 1, 2010. Any new tax-credit stamps obtained from the Department must be on-hand and unaffixed on June 30, 2010. At the close of business on June 30, 2010, after taking inventory of stamps on hand for purposes of Form RPD-41278, *Cigarette Inventory Tax Return*,* you may affix the new tax-credit stamps to packages of cigarettes for delivery or sale to a retailer located on land of a tribe that has imposed a qualifying tribal cigarette tax. The retailer must be a tribe or tribal member licensed or approved by the tribe to sell cigarettes on that tribes land.

*Do not include inventory of the new tax-credit stamps on Form RPD-41278, *Cigarette Inventory Tax Return*.

When completing Form RPD-41315, *Cigarette Distributor's Monthly Report*, and Schedules for report periods prior to July 1, 2010, you are not provided space to record inventories and transactions for the new tax-credit stamp. You should not affix tax-credit stamps during the reporting period of June 2010. For report periods beginning on or after July 1, 2010, you should use the new revised forms for cigarette distributor reporting.

For additional information on the Cigarette Tax Act and the changes described above, please contact Sharon Baker at (505) 827-6842, or write to the Cigarette Tax Unit at: New Mexico Taxation and Revenue Department, P.O. Box 25123, Santa Fe, NM 87504-5123.